



The President's Daily Brief

25 August 1971

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THE PRESIDENT'S DAILY BRIEF

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PRINCIPAL DEVELOPMENTS

Soviet Romania. (Page 1)

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The Yugoslavs are taking a tough stand regarding upcoming talks between Tito and Brezhnev in Belgrade. (Page 2)

Moscow apparently is seeking to exploit Tokyo's current dissatisfaction with US policies on China and economic matters. (Page 3)

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Foreign exchange markets remained calm yesterday as efforts to find longer-term solutions to the crisis continued. (Page 6)

India Pakistan (Page 7)

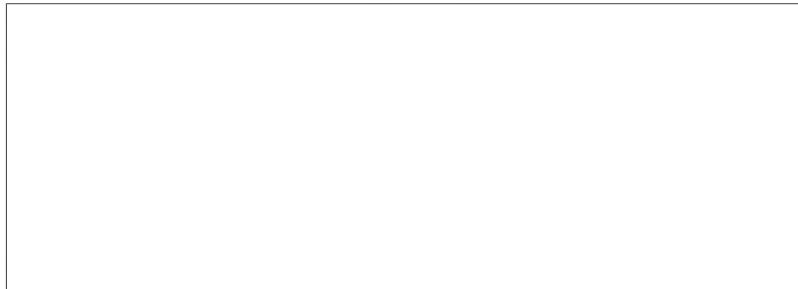
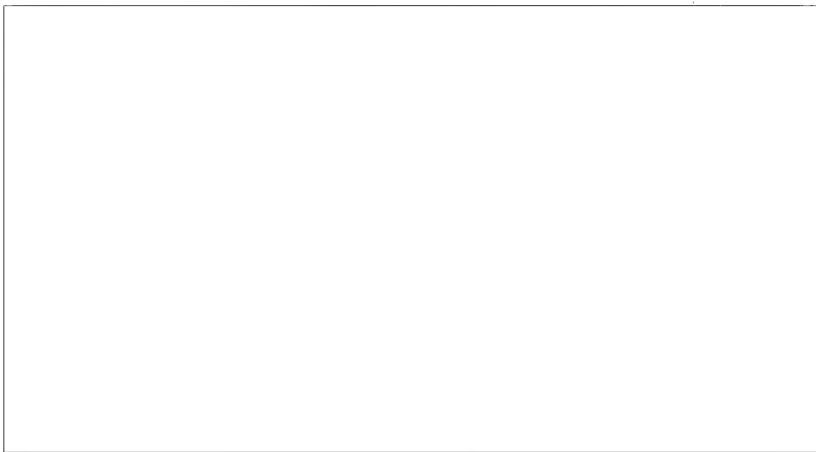
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USSR-ROMANIA

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YUGOSLAVIA-USSR

The Yugoslavs believe that, because the visit of Brezhnev to Yugoslavia on 22-24 September is Moscow-initiated, Belgrade has a tactical edge in seeking important concessions. Tito's negotiating position centers on a demand that any communiqué include a renewal of the Soviet declarations of 1955 and 1956 guaranteeing Yugoslavia's sovereignty and the right of all Communist parties to pursue "different roads to socialism." Belgrade is also demanding that Moscow clamp down on the activities of Yugoslav émigrés in the USSR.

Tito's demands are likely to be more than Moscow can accept, thus casting doubt on whether the visit will take place on schedule. Tito, however, appears determined to hold his ground. On 19 July Belgrade publicly denied Soviet-inspired reports circulating in Eastern Europe alleging the formation by Romania, Yugoslavia, and Albania of a pro-Chinese "axis" and accused Moscow of dictating the foreign policy of its allies. This accusation clearly indicates Yugoslav willingness to fuel latent anti-Soviet sentiment throughout the area.

Brezhnev probably wants to assess the new Yugoslav governmental apparatus and to make known his views on Belgrade's policies before Tito's visit to the US in October. He may also be seeking ways to weaken Yugoslav-Romanian solidarity, to block growing Chinese influence in the Balkans, and to enlist Belgrade's support for new peace initiatives.

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USSR-JAPAN

Soviet diplomats have made a number of approaches to the Japanese in the last several weeks to suggest that closer Japan-USSR ties could counter improvements in US-China relations.

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Soviet efforts to exploit Tokyo's dissatisfaction with Washington's China policy and recent US economic moves were predictable. The Soviets may also be encouraging Sato to accept a long-standing invitation to visit the USSR.

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In order to make meaningful headway with the suspicious Japanese, Moscow will have to do something more than just sympathize with Japan's current frame of mind. It could, for instance, offer some concessions on fishing in waters around the Kurils. The chief of the policy committee in Sato's Liberal Democratic Party will be visiting Moscow next week; his reception may give some additional clues about how seriously Moscow intends to pursue better relations with Japan.

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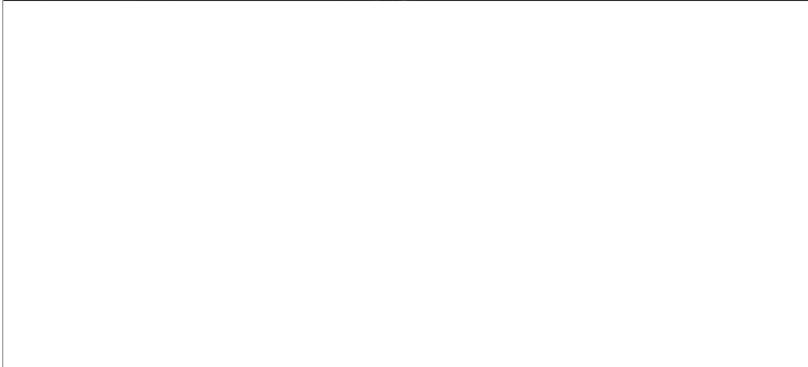
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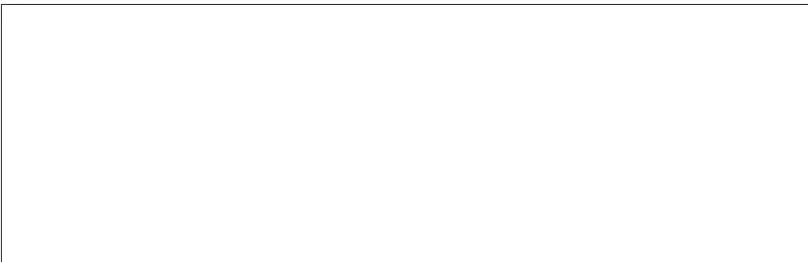
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INTERNATIONAL ECONOMIC DEVELOPMENTS

Foreign exchange markets remained calm yesterday as efforts to find longer-term solutions to the crisis continued.

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European Community members may meet before their Council session now scheduled for 13 September in another attempt to work out common exchange-rate policies. Although some French officials have been talking about a Brandt-Pompidou meeting, there is reluctance to go into a summit session unprepared; a Benelux proposal for the Community finance ministers to meet in early September, with the foreign ministers also present, may be an acceptable alternative. German officials have commented that a Community meeting would be preferable to bilateral talks with the French and have said that their two ministers could be available on 4 September.

At the special General Agreement on Tariffs and Trade (GATT) Council meeting held to discuss the ten-percent surcharge on imports into the US, the European Community strongly denounced it and, as expected, reserved the right to retaliate if the surcharge is not removed. The Community also called for establishing a working group to study the US action and deliver a report before the end of September.

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